

## Message Text

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12/13

ACTION EA-04

INFO OCT-01 ADP-00 SS-07 H-03 NSC-06 AID-01 RSR-01 RSC-01

SSO-00 NSCE-00 /024 W

----- 035381

O 241015 Z MAY 73

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC IMMEDIATE 2118

C O N F I D E N T I A L SECTION 1 OF 2 SAIGON 9182

C O R R E C T E D C O P Y FOR MRN (9182 VICE 9183)

E. O. 11652 GDS

TAGS: ECON, VS

SUBJECT: CODEL INOUYE TRIP REPORT

REF: ( A ) STATE 094636 ( B ) STATE 096629

A. THIS MESSAGE RESPONDS TO REFTEL ( A ), FOLLOWING THE CONCLUSIONS/ RECOMMENDATIONS IN SEQUENCE AS THEY APPEAR IN REFTEL ( B ). OUR COMMENTS MAY BE SUBJECT TO MODIFICATION UPON RECEIPT OF THE FULL REPORT.

1. THE URGENCY OF THE COMMUNIST THREAT MAY HAVE DIMINISHED AND BECOME MORE POLITICAL THAN MILITARY IN NATURE, BUT STILL REMAINS VER REAL THREAT TO SURVIVAL OF INDEPENDENT RVN. THUS, IT SEEMS TOO SWEEPING A STATEMENT TO SAY THAT ALL PREVIOUS PLANS, PROGRAMS AND OBJECTIVES HAVE BECOME OBSOLETE. THE PRINCIPAL U. S. OBJECTIVE MISGHT BE STATED AS ASSISTING RVN IN EFFECTING INSTITUTIONAL REFORMS AND ECONOMIC PROGRESS NECESSARY TO ACHIEVE SELF- SUFFICEINCY. ASSISTANCE IN WITHSTANDING COMMUNIST THREAT DURING THE TRANSITION PERIOD AT LEAST IMPLIED.

2. A " NEW MASTER PLAN " HAS NOT YET EMERGED BECAUSE CHARACTER OF POST- CEASEFIRE SITUATION ONLY GRADUALLY CLARIFYING. IF NVN CAN VE BROUGHT RESPECT CEASE- FIRE AGREEMENT, OUTLOOK WILL BE DIFFERENT THAN IF RVN MUST CONTINUE FEND OFF COMMUNIST ATTACKS. ON SECOND POINT, RVN PLANS ARE NOW MUCH ADVANCED.

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THEY WERE PRESENTED AT SAN CLEMENTE AND WASHINGTON BY PRESIDENT THIEU AND FURTHER ELABORATED THIEU SPEECH ON RVN NATIONAL TV MAY 20. ( SEE SAGION 988)

3. CONCUR

4. THIS IS MOST RECENT MISSION MACRO- ESTIMATE OF RVN FOREIGN ASSISTANCE REQUIREMENT. UNDERLYING ASSUMPTIONS ABOUT ON TRACK THUS FAR, EXCEPT THAT NEITHER MOST RECENT DOLLAR DEVALUATION NOR DRAMATIC RISE IN WORLD PRICES OF COMMODITIES ESSENTIAL TO RVN WERE SPECIFICALLY FORESEEN.

5. CONCUR.

6. IBRD STUDY MISSION NOW IN VN AND CONSULTATIVE GROUP MEETING PROPOSED FOR PARIS 5/28. AGREE ON INTERNATIONALIZATION ON ANY APPROPRIATE BASIS.

7. GENERALLY TRUE, HOWEVER, THIRD LINE MIGHT BE MODIFIED READ "... WHAT IS MOST NEEDED..". RVN WOULD NOT REJECT AID IN FORM OTHER THAN DIRECT SUPPLY OF FX.

8. U. S. IS BROADENING NATURE ITS ASSISTANCE WITH NEGOTIATION PROBABLY WILL CONTINUE ON GRANT BASIS. U. S. MAY HAVE TO LEAD THE WAY FOR OTHER DONORS TOWARD HUMANITARIAN/ TECHNICAL ASSISTANCE ON GRANT TERMS AND DEVELOPMENT ASSISTANCE ON CONCESSIONAL LOAN OR GRANT TERMS. THE POINT IS TO COORDINATE WITH OTHER DONORS FOR A TOTAL PROGRAM IN WHICH EACH DONOR CONTRIBUTES A BALANCED PORTION.

9. NEDF CREDITS TO ICIS IN CY 72 AMMOUNTED TO VN\$ 6.9 BILLION INPUT TO TOTAL INVESTMENTS OF VN\$ 16.6 BILLION AND THE RESULT SHOULD BE SUBSTANTIAL FX SAVINGS. SEVERAL PROJECTS - A CANNERY, TEXTILE FIRM, AND TIN CAN PRODUCTION PLANT- ACCOMPANIED BY FOREIGN EQUITY INVESTMENT AND MANAGERIAL SKILLS. JAPAN AND TAIWAN ACTIVE WITH CAPITAL AND KNOW- HOW IN FRUIT/ VEGETABLE INDUSTRIES AND HAVE AGREED SUPPLY MARKETS FOR PRODUCTION.

10. CONCUR

11. MISSION UNDERSTANDS OPIC/ EXIMBANK QUESTION NOW ACTIVELY CONFIDENTIAL

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BEING PURSUED BY AID/ W.

12. NO COMMENT.

13. NO COMMENT.

14. THE POLICY OF PLACING SECURITY CLASSIFICATION ON

PHOTOGRAPHS OF NORTH VIETNAMESE TARGETS STRUCK BY U. S. AIRCRAFT  
WAS DICTATED BY OPERATIONAL AND NATIONAL SECURITY CONSIDERATIONS.  
SPECIFICALLY, THE PURPOSE WAS TO DENY THE ENEMY KNOWLEDGE OF OUR  
TECHNOLOGICAL CAPABILITIES, THE NATURE OF OUR PHOTOGRAPHIC  
PLATFORMS AND THE INTELLIGENCE DERIVED FROM PHOTOGRAPHS.  
HOWEVER, IT SHOULD BE NOTED THAT IT WAS MACV POLICY TO  
SPECIFICALLY SINGLE OUT PARTICULARLY REPRESENTATIVE PHOTOGRAPHS  
FOR POSSIBLE RELEASE BY THE DEPARTMENT OF DEFENSE.  
NEVERTHELESS, THE FINAL DECISION TO RELEASE PHOTOGRAPHS TO THE  
PUBLIC RESTED WITH THE DEFENSE DEPARTMENT. ( THIS PARA PER DAO)

15. VECCO LARGEST SINGLE RECIPIENT EXCESS PROPERTY FOR USE  
PRIMARILY IN RECONSTRUCTION WAR DAMAGE AND SUPPORT ECONOMIC  
DEVELOPMENT PROJECTS. VECCO INVENTORY UNDER CONTINUING USAID  
REVIEW WHICH HAS LED TO RECLAIMING SOME LARGE BULLDOZERS FOR  
SHIPMENT TO PHILIPPINES. REDISTRIBUTION ACTION IN PROCESS ON  
64 ADDITIONAL ITEMS. SOME SPECIALIZED ITEMS HAVE BEEN  
REDISTRIBUTED TO OTHER  
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ACTION EA-04

INFO OCT-01 ADP-00 SS-07 H-03 NSC-06 AID-01 RSR-01 RSC-01

SSO-00 NSCE-00 /024 W  
----- 035391

O 241015 Z MAY 73  
FM AMEMBASSY SAIGON  
TO SECSTATE WASHDC IMMEDIATE 2119

C O N F I D E N T I A L SECTION 2 OF 2 SAIGON 9182

C O R R E C T E D C O P Y FOR MRN (9182 VICE 9183)

EDEN ROC HOTEL ( SEE TOAID A-2870, 10/30/72) INVOLVING VN\$80  
MILLION AND ALPHA FILM INVOLVING POSSIBLE VN\$16 MILLION  
SEIZURE/ SALE SETTLEMENT. OUTSTANDING BALANCE OF VN\$ 6 BILLION  
IN BACK TAXES EXPECTED TO BE CUT IN HALF DURING 1973, EXPECT  
NEW LAND TAX DECGXED LATE 1972 WILL PRODUCE VN\$13 BILLION  
DURING 1974 WHEN FULL EFFECT REALIZED. NOTE THAT PREVIOUS LAW  
HAD NO PROVISIONS FOR PENALTY OR PROSECUTION FOR INCOME TAX  
EVASION , WHILE NEW LAW DOES.

17. CONCUR.

18. MISSION HAS NO PLANS REQUEST ADDITIONAL AID BEYOND  
\$40 MILLION CIP AGREED IN 1969.

19. MISSION PARTICIPATED 1970 AID/ W SPRING REVIEW OF LAND REFORM AND MADE AVAILABLE TO ALL MISSION CRITICAL ANALYSIS OF PROGRESS, PROBLEMS AND PROSPECTS. PHILIPPINES DELEGATION VISITED GVN IN FALL 1972 FOR COMPREHENSIVE DISCUSSION/ OBSERVATION PROGRAM. USAID VN AND USAID PHILIPPINES STAFF HAVE EXCHANGED VISITS AND TDY ASSIGNMENTS, INCLUDING SENIOR USIAD/ VN ADVISOR WHO WAS ONE OF PRINCIPAL ARCHITECTS OF GVN PROGRAM.

20. SPETEL FOLLOWS IN RESPONSE STATE 097097.

21. FORM AND NATURE OF U. S. AID ARE WIDELY KNOWN TO LOCAL POPULACE, ESPECIALLY IN SUCH FIELDS AS REFUGEES, HEALTH,  
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EDUCATION AND AGRICULTURE.

22. MUST AWAIT RECEIPT REPORT BEFORE PROVIDING DEFINITIVE COMMENT BECAUSE CONCLUSION STATED REFTEL ( B) NOT SUFFICIENTLY UNDERSTOOD AND MISSION NOT AWARE DETAIPJ PROPOSED INDONESIA SCHEME.

23. BELIEVE THIS ALLUDES TO FIFY FRENCH FARM TRACTORS PROCURED BY GVN FOR 1972 PROGRAM UNDER A FRENCH LOAN AND TO EMERGENCY PROCUREMENT OF BLANKETS FOR THE REFUGEE PROGRAM. BECAUSE OF 1972 NVA OFFENSIVE, UTILIZATION THESE TRACTORS DELAYED; NINE REMAIN AT THE CLA WAREHOUSE. THE MSW PROCURED 50,000 BLANKETS LOCALLY FOR RESERVE STOCKS AND TO REPAY THOSE BORROWED FROM THE RD CADRE STOCKS AT THU DUC. AT TIME OF CODEL VISIT, THERE WERE ABOUT 7,700 RD CADRE BLANJTS REMAINING IN THE CLA WAREHOUSE, AVAILABLE FOR RD CADRE AS NEEDED. ALL PROCUREMENT FOR GVN MINISTRIES EXCEPT DEFENSE IS DONE BY CLA. WHILE SOME DUPLICATION OF STOCKS HAS BEEN DETECTED, IT HAS BEEN EXCEPTION RATHER THAN RULE.

24. ( A) ADVISORY RELATIONSHIP TO NATIONAL POLICE ( NP) TERMINATED WITHIN 60 DAYS AFTER CEASE- FIRE. AID SUPPORT TO NP FOR REMAINDER OF FY 73 CONSISTS OF PARTICIPANT TRAINING AND NON- MILITARY COMMODITY SUPPORT; FOR FY 74 DOD WILL PROVIDE ALL COMMODITIES AND AID ONLY PARTICIPANT TRAINING. ASSUMING JOINT STATE/ AID/ DOD APPROVAL, THIS SPLIT- FUNDING ARRANGEMENT COULD BE CONTINUED. ( B) FORMER NP TELECOM PROJECT BEING INTEGRATED INTO CENTRAL TELECOM DIRECTORATE SERVING ALL CENTRAL GOVERNMENT AGENCIES. JOINT AID/ DOD FUNDING SEEMS APPROPRIATE TO MEET BROADENED PROJECT OBJECTIVES.

B. RE PARA 2, REFTEL ( A), MISSION RECOMMENDS PARAS 7, 8 AND 13 OF REFTEL ( B) REMAIN CLASSIFIED BECAUSE OF POSSIBLE REACTION OF POTENTIAL DONORS.

C. AID/ W MAY WISH PROJECT INFORMATION IN A.6. ABOVE CONCERNING IBRD AND CONSULTATIVE GROUP UNTIL PUBLIC ANNOUNCEMENTS MADE.

DAO SUGGESTS AID/ W CHECK WITH DOD ON CLASSIFICATION INFO PROVIDED  
IN A.14. ABOVE. OUR ASSESSMENT ON NEED FOR CONTINUED U. S.  
ASSISTANCE ( SAIGON 222 UNCLASSIFIED).  
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\*\*\* Current Handling Restrictions \*\*\* n/a  
\*\*\* Current Classification \*\*\* CONFIDENTIAL

## Message Attributes

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**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
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